

LUTHERAN SOCIAL SERVICES OF NEVADA

FINANCIAL STATEMENTS

JUNE 30, 2020



LUTHERAN SOCIAL SERVICES OF NEVADA

JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Lutheran Social Services of Nevada
Las Vegas, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of Lutheran Social Services of Nevada (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lutheran Social Services of Nevada as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2021, on our consideration of Lutheran Social Services of Nevada's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lutheran Social Services of Nevada's internal control over financial reporting and compliance.

Howdsworth, Russo & Company, P.C.

Las Vegas, Nevada
March 24, 2021

LUTHERAN SOCIAL SERVICES OF NEVADA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

CURRENT ASSETS

Cash	\$ 150,434
Investments	5,375
Accounts receivable	2,830
Grants receivable	447,862
Promises to give	438,571
Inventory	30,264
Prepaid expenses	18,700
	1,094,036

OTHER ASSETS

Property and equipment, net	2,891,405
Security deposits	200
	2,891,605
	\$ 3,985,641

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 25,443
Accrued expenses	74,749
Refundable advance	74,182
Paycheck Protection Program refundable advance	153,800
	328,174

NET ASSETS

Without donor restrictions	420,665
With donor restrictions	3,236,802
	3,657,467
	\$ 3,985,641

See notes to financial statements.

LUTHERAN SOCIAL SERVICES OF NEVADA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

WITHOUT DONOR RESTRICTIONS

Unrestricted revenue, gains and other support:		
Contributions and grants	\$	1,377,398
Federal grants		1,163,581
Program revenue		8,754
In-kind donations		1,268,643
Special events		
Special event revenue	\$	23,407
Cost of direct benefit to donors	<u>(10,037)</u>	
Net revenues from special events		13,370
Investment return, net		3,348
Gain on disposal of assets		6,838
Net assets released from restrictions		<u>285,808</u>
		<u>4,127,740</u>
Expenses:		
Program expenses:		
Community Nutrition Services		1,995,057
Family Empowerment Services		1,364,045
Senior Services		230,251
Supporting services:		
Management and general		336,334
Fundraising		<u>176,429</u>
		<u>4,102,116</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		<u>25,624</u>
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions and grants		156,573
Net assets released from restrictions		<u>(285,808)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		<u>(129,235)</u>
CHANGE IN NET ASSETS		(103,611)
NET ASSETS, BEGINNING OF YEAR		<u>3,761,078</u>
NET ASSETS, END OF YEAR	\$	<u><u>3,657,467</u></u>

See notes to financial statements.

**LUTHERAN SOCIAL SERVICES OF NEVADA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

	Community Nutrition Services	Family Empowerment Services	Senior Services	Total Programs	Management and General	Fundraising	Total
Salaries	\$ 168,271	\$ 450,646	\$ 86,173	\$ 705,090	\$ 191,331	\$ 97,504	\$ 993,925
Employee benefits	6,073	16,264	3,110	25,447	6,905	3,519	35,871
Payroll taxes	15,998	42,845	8,193	67,036	18,191	9,270	94,497
Bank fees	-	-	-	-	5,323	-	5,323
Client assistance	-	702,991	-	702,991	-	-	702,991
Computer support	2,964	7,939	1,518	12,421	3,371	1,718	17,510
Depreciation	12,256	32,824	6,277	51,357	13,936	7,102	72,395
Donated food, distributed	1,635,968	2,000	6,443	1,644,411	-	-	1,644,411
Purchased food, distributed	98,208	-	91,933	190,141	-	-	190,141
Equipment	2,871	7,691	1,471	12,033	3,265	1,664	16,962
Insurance	6,951	18,616	3,560	29,127	7,904	4,028	41,059
Marketing	-	-	-	-	-	34,664	34,664
Occupancy	6,646	17,797	3,403	27,846	7,556	3,851	39,253
Office	1,326	3,554	680	5,560	1,509	769	7,838
Other	4,022	10,770	2,059	16,851	4,572	2,330	23,753
Professional services	-	-	-	-	52,829	-	52,829
Supplies	16,227	3,844	6,584	26,655	-	-	26,655
Telephone	3,371	9,029	1,727	14,127	3,833	1,954	19,914
Transportation	13,905	37,235	7,120	58,260	15,809	8,056	82,125
Venue	-	-	-	-	-	10,037	10,037
	<u>1,995,057</u>	<u>1,364,045</u>	<u>230,251</u>	<u>3,589,353</u>	<u>336,334</u>	<u>186,466</u>	<u>4,112,153</u>
Less: Cost of direct benefit to donors	-	-	-	-	-	(10,037)	(10,037)
	<u>\$ 1,995,057</u>	<u>\$ 1,364,045</u>	<u>\$ 230,251</u>	<u>\$ 3,589,353</u>	<u>\$ 336,334</u>	<u>\$ 176,429</u>	<u>\$ 4,102,116</u>

See notes to financial statements.

**LUTHERAN SOCIAL SERVICES OF NEVADA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (103,611)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	72,395
Donated inventory received	(1,618,396)
Donated inventory disbursed	1,644,411
Unrealized gain on investments	(2,632)
Gain on disposal of assets	(6,838)
(Increase) decrease in operating assets:	
Accounts receivable	965
Grants receivable	(200,618)
Promises to give	1,054
Inventory	(15,884)
Prepaid expenses	1,387
Increase (decrease) in operating liabilities:	
Accounts payable	(3,458)
Accrued expenses	41,385
Refundable advance	74,182
Paycheck Protection Program refundable advance	153,800
	<hr/>
Net cash provided by operating activities	38,142
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from the sale of property and equipment	8,597
Proceeds from sale of investments	82,041
Purchase of investments	(563)
Purchases of property and equipment	(11,279)
	<hr/>
Net cash provided by investing activities	78,796
CHANGE IN CASH	116,938
CASH, BEGINNING OF YEAR	33,496
	<hr/>
CASH, END OF YEAR	\$ 150,434
	<hr/> <hr/>

See notes to financial statements.

LUTHERAN SOCIAL SERVICES OF NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Lutheran Social Services of Nevada (LSSN or the Organization) is a nonprofit organization incorporated in 1996 under the laws of the State of Nevada. The Organization's mission is to express the love of Christ by serving and caring for families in need. LSSN fulfills their mission by caring for people in Southern Nevada through their three programs: Community Nutrition Services, Family Empowerment Services, and Senior Services. The Organization is supported primarily through donor contributions, from individuals, businesses, foundations, and government grants from the Southern Nevada region.

The Community Nutrition Services program is offered to homeless and low-income families and individuals and provides healthy food and personal hygiene items through their food pantry. They also provide cooking demonstrations. Periodically, they have Open Air Markets held at various locations in which they distribute food and bottles of water. LSSN launched their DigiMart in October 2016, which allows clients to log into the food database on desktop kiosks at LSSN or from any computer with internet access. The monitor displays pictures of food items available, where clients can add items in their digital shopping cart. Then the client simply goes to the pantry to pick up their order. Clients are allotted points every 30 days to "purchase" items from the pantry. Higher nutritional value items can be "purchased" for fewer points than their counterparts.

The Family Empowerment Services program provides people in need with the tools necessary for self-sufficiency with programs designed to give people the sense of dignity that comes from being able to obtain and keep employment, as well as how to make good, informed decisions to improve the quality of their lives. Under this program LSSN offers assistance in applying for or renewing SNAP (formally known as Food Stamps) with the State of Nevada Division of Welfare and Supportive Services, helps children get signed up for health insurance, and assists people in obtaining their birth certificate and/or Nevada identification. To help those in danger of becoming homeless, LSSN can provide temporary rent and/or utility assistance.

The Senior Services program provides assistance specifically to seniors (aged 60 or older). Seniors are offered two days per week of by-appointment shopping in the pantry, and fresh cooked meals are provided at two Lutheran churches at no cost. Home-bound seniors receive case management services, food delivery, and assistance with nutritional supplements like Ensure or Boost, as well as personal hygiene products.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under FASB ASC, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

LUTHERAN SOCIAL SERVICES OF NEVADA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

Timely preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures, some of which may need revision in future periods.

Income Tax Status

The Organization is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income taxes on related income pursuant to the appropriate section of the Internal Revenue Code.

Investments

Investments in marketable equity securities with readily determinable fair values are stated at fair market value. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Grants and Accounts Receivables

Receivables are stated at the amount management expects to collect. Grant receivable are primarily due from the state and local governments for expenses incurred for goods and services provided to clients. There is no allowance for uncollectible balances at June 30, 2020. Management has determined all receivables are collectible.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash consists of cash-on-hand and demand deposits.

Promises to Give

Promise to give represent promises from donors to give to the Organization. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are recognized at fair value when the conditions on which they depend are substantially met. Promises to give are stated at the amount management expects to collect from the outstanding balances. It is the Organization's policy to charge off uncollectible receivables when management determines the receivable will not be collected.

Inventory

Inventory consists of purchased and donated food, as well as government commodities. Purchased food is valued using the first-in, first-out method. Donated inventory is valued at an estimated fair value per pound of \$1.70.

LUTHERAN SOCIAL SERVICES OF NEVADA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are recorded at cost for purchased assets and fair market value as of the date of donation for donated property. Depreciation of property and equipment is computed using the straight-line method over the life of the asset. Acquisitions of property and equipment more than \$1,000 with a useful life of greater than one year are capitalized.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2020.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Revenue Recognition

Revenue is recognized when earned. Special event ticket sales and payments under cost-reimbursable grant agreements received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized as revenue when they are received or unconditionally pledged at their estimated net realizable value.

Contributions received are recorded as increases in net assets with or without restrictions, depending on the existence of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

LUTHERAN SOCIAL SERVICES OF NEVADA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Goods and Services

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair value at the date of donation.

Donated services are recognized as contributions in accordance with the FASB codification, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated services included in the Organization's financial statement for the year ended June 30, 2020 are legal services from its attorneys in the amount of \$29,345, which are included in management and general expenses on the statement of functional expenses.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services benefited.

The following expenses were directly allocated by function based on the nature of the expense: bank fees, client assistance, donated and purchased food distributed, marketing, professional services, program supplies, and venue.

The following expenses were allocated on the basis of employee time and effort: salaries, employee benefits, payroll taxes, computer support, depreciation, equipment, insurance, occupancy, office, other, telephone, and transportation.

Date of Management's Review

Subsequent events have been evaluated through March 24, 2021, which is the date the financial statements were available to be issued.

NOTE 2. CONCENTRATIONS

The Organization maintains cash balances in banking institutions located in Nevada. Cash balances held by the banking institutions are insured up to the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000. As of June 30, 2020, there were no cash balances in these accounts that exceeded the FDIC insurance limitation.

At June 30, 2020, 93% of LSSN's promises to give came from one nonprofit organization in Las Vegas, Nevada.

LUTHERAN SOCIAL SERVICES OF NEVADA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 3. INFORMATION REGARDING LIQUIDITY AND AVAILABILITY

The Organization receives program and contribution revenues, and considers contributions restricted for programs which are ongoing, major, and central to its operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The following table reflects the Organization's financial assets as of June 30, 2020, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date:

Cash	\$ 150,434
Investments	5,375
Accounts receivable	2,830
Grants receivable	447,862
Promises to give	<u>438,571</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 1,045,072</u>

NOTE 4. PROMISES TO GIVE

Unconditional promises to give are recorded at net realizable value. All promises to give are expected to be collected within one year and are stated at the amount management expects to collect. No allowance was deemed necessary at June 30, 2020.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2020:

Building and improvements	\$ 2,955,078
Furniture and fixture	40,010
Equipment	28,883
Computer software/website	11,000
Construction in progress	<u>10,205</u>
	3,045,176
Less: accumulated depreciation	<u>(153,771)</u>
	<u>\$ 2,891,405</u>

LUTHERAN SOCIAL SERVICES OF NEVADA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 6. PAYCHECK PROTECTION PROGRAM REFUNDABLE ADVANCE

On May 1, 2020, the Organization (the Borrower) qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the PPP Lender), for an aggregate principal amount of \$153,800 (the PPP Loan). The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal and accrued interest of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization. The Organization intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. To the extent that all or part of the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing the earlier of (1) the date that SBA remits the Borrower's loan forgiveness amount to the Lender or (2) 10 months after the end of the Borrower's loan forgiveness covered period of 24 weeks, principal and interest payments will be required through the maturity date of May 1, 2022. The terms of the PPP Loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP Loan may be accelerated upon the occurrence of an event of default.

The Organization has accounted for the PPP Loan as a conditional contribution in accordance with FASB ASC 958 and therefore the funds received under this program as shown as a refundable advance until such time as the conditions for the grant have been met (upon confirmation from the PPP Lender) or any funds are returned to the PPP Lender (if they do not meet the requirements for forgiveness).

NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following at June 30, 2020:

Subject to expenditure for a specific purpose:	
Rent and utility assistance	\$ 76,110
Other client services	146,029
Food pantry	16,319
Senior meals	<u>33,000</u>
	<u>271,458</u>
Subject to the passage of time:	
Building, time restricted for use	2,546,773
Promise to give, time restriction only	<u>418,571</u>
	<u>2,965,344</u>
	<u>\$ 3,236,802</u>

LUTHERAN SOCIAL SERVICES OF NEVADA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets with restrictions are held in the following assets at June 30, 2020:

Cash	\$ 150,434
Investments	5,375
Grants receivable	95,649
Promises to give	438,571
Building, time restricted for use	<u>2,546,773</u>
	<u>\$ 3,236,802</u>

Net assets were released from donor restrictions by incurring expenses satisfying restricted purposes or by the passage of time as follows for the year ended June 30, 2020:

Released from purpose restrictions:	
Food pantry	\$ 14,907
Senior meals program	<u>52,041</u>
	<u>66,948</u>
Expiration of time restrictions:	
Building use	195,906
Cash receipts on promises to give	<u>22,954</u>
	<u>218,860</u>
	<u>\$ 285,808</u>

NOTE 8. FAIR VALUE OF INVESTMENTS

In accordance with the FASB ASC, the following are quantitative disclosures about the fair value measurements of assets. Fair value measurements are categorized on three levels:

Level 1: Quoted prices in active market for identical assets.

Level 2: Inputs other than quoted prices within Level 1; for example, quoted prices for similar assets.

Level 3: Significant unobservable inputs for the assets.

The Organization's only assets valued at fair value are its investments. The Organization holds all of its investments, as of June 30, 2020, as follows:

	<u>Level 1</u>	<u>Total</u>
Bond funds	<u>\$ 5,375</u>	<u>\$ 5,375</u>

LUTHERAN SOCIAL SERVICES OF NEVADA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 9. ESTIMATES

The Organization receives significant amounts of donated food which are recognized as in-kind revenues and inventory disbursed. The valuation of these in-kind food donations is an estimate. The amount recorded as revenue and expense is determined using the weights of the food donated or distributed multiplied by a rate of \$1.70 per pound for the year ending June 30, 2020.

NOTE 10. RISKS AND UNCERTAINTIES

As of, March 24, 2021, the date these financial statements were able to be issued, in connection with the Coronavirus (COVID-19) pandemic, there have been significant global, federal, state and local developments. As a result of this worldwide pandemic, which is driving economic uncertainty, the Organization may experience volatility that may impact results and/or impede general operations. The Organization continues to monitor this unprecedented situation and evaluate the impact of this pandemic on their results.

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Lutheran Social Services of Nevada
Las Vegas, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lutheran Social Services of Nevada (Organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 24, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lutheran Social Services of Nevada’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Houldsworth, Russo & Company, P.C.

Las Vegas, Nevada
March 24, 2021

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

To the Board of Directors
Lutheran Social Services of Nevada
Las Vegas, Nevada

Report on Compliance for Each Major Federal Program

U.S. Department of Agriculture, Food Distribution Cluster (TEFAP)

We were engaged to audit Lutheran Social Services of Nevada’s (Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Food Distribution Cluster for the year ended June 30, 2020.

U.S. Department of Agriculture, SNAP Cluster (SNAP)

We have audited the Organization’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lutheran Social Services of Nevada’s major federal programs for the year ended June 30, 2020.

Lutheran Social Services of Nevada’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

U.S. Department of Agriculture, Food Distribution Cluster

Our responsibility is to express an opinion on compliance for the TEFAP major federal program based on the types of compliance requirements referred to above. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on compliance for the TEFAP major federal program.

U.S. Department of Agriculture, SNAP Cluster

Our responsibility is to express an opinion on compliance for each of Lutheran Social Services of Nevada’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lutheran Social Services of Nevada’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our unmodified opinion over the SNAP major federal program. However, our audit does not provide a legal determination of Lutheran Social Services of Nevada’s compliance.



Basis for Disclaimer of Opinion on Food Distribution Cluster

The Organization received federal food commodities through The Emergency Food Assistance Program (TEFAP). Under the federal award program, TEFAP commodities must be warehoused and distributed in accordance with federal award program terms. Upon receipt, TEFAP commodities were comingled with all other donated food received by the Organization. As a result, management was unable to substantiate compliance with warehousing requirements. Further, management was unable to produce a listing of TEFAP commodities recipients. As a result, we were unable to perform procedures over whether the Organization complied with the terms of the federal grant award.

Disclaimer of Opinion on Food Distribution Cluster

Because of this significance of the matter described in the Basis for Disclaimer of Opinion on Food Distribution Cluster paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion over compliance for the Food Distribution Cluster. Accordingly, we do not express and opinion over compliance for the Food Distribution Cluster

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questions costs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2020-001 to be a material weakness.

The Organization's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Houldsworth, Russo & Company, P.C.

Las Vegas, Nevada
March 24, 2021

**LUTHERAN SOCIAL SERVICES OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

Grantor and Program Title	Federal CFDA Number	Pass Through Identifying Number	Total Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Three Square:			
The Emergency Food Assistance Program - Food Commodities	10.569		\$ 390,465
Total Food Distribution Cluster			390,465
Passed Through the State of Nevada Division of Welfare and Supportive Services:			
Supplemental Nutrition Assistance Program Outreach	10.561	Out2008	52,327
Supplemental Nutrition Assistance Program Education	10.561	Ed2017	114,288
Total SNAP Cluster			166,615
TOTAL U.S. DEPARTMENT OF AGRICULTURE			557,080
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through City of Las Vegas:			
Community Development Block Grant - Senior Meal Program	14.218		20,739
Passed Through City of North Las Vegas:			
Community Development Block Grant - Senior Supportive Services	14.218		14,200
Total CDBG Entitlement Grants Cluster			34,939
Passed Through City of North Las Vegas:			
Emergency Solutions Grant - Family Supportive Services	14.231		15,600
Passed Through City of Las Vegas:			
Emergency Solutions Grant - H.O.M.E.	14.231		58,428
			74,028
Continuum of Care Program	14.267	NVO105L9T001600	151,927
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			260,894
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through Clark County:			
Emergency Food and Shelter Program	97.024	Phase 36	46,000
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through State of Nevada Aging and Disability Services Division:			
DigiMart Senior Food Pantry	93.044	03-107-55-BX-20	74,697
COVID-19 Food Pantry Emergency Fund	93.044	03-107-55-BC3X-20	5,733
			80,430
Heart of the City Senior Meal Program	93.045	03-107-07-1X-19	15,993
Heart of the City Senior Meal Program	93.045	03-107-07-1X-20	73,320
COVID-19 Senior Meal Emergency Fund	93.045	03-107-04-2C2X-20	1,019
			90,332
Senior Meal Program	93.053	03-107-57-NX-19	11,061
Senior Meal Program	93.053	03-107-57-NX-20	4,665
			15,726
Total Aging Cluster			186,488
Passed Through State of Nevada Division of Public and Behavioral Health:			
Women's Health Connection	93.898	5NU58DP006306-02	73,361
Passed Through Money Management International			
Social Services Block Grant	93.667		39,758
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			299,607
TOTAL FEDERAL EXPENDITURES			\$ 1,163,581

See notes to schedule of expenditures of federal awards.

LUTHERAN SOCIAL SERVICES OF NEVADA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes federal award activity of Lutheran Social Services of Nevada under programs of the federal government for the year ended June 30, 2020. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because this schedule only presents a selected portion of the operations of Lutheran Social Services of Nevada, it is not intended to and does not present the financial position, changes in net assets, functional expenses, or cash flows of Lutheran Social Services of Nevada.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3. INDIRECT COST RATE

Lutheran Social Services of Nevada has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4. PASS-THROUGH AWARDS

Lutheran Social Services of Nevada received certain federal financial assistance from pass-through awards of the pass-through entities listed on the schedule of expenditures of federal awards.

NOTE 5. FOOD DONATION

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed.

**LUTHERAN SOCIAL SERVICES OF NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. The auditor's report expresses an unmodified opinion on the financial statements of Lutheran Social Services of Nevada.
2. No instances of material weakness required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of Lutheran Social Services of Nevada, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

Federal Awards

4. One material weaknesses or significant deficiencies related to the audit of major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for Lutheran Social Services of Nevada expresses a disclaimer of opinion on the U.S. Department of Agriculture Food Distribution Cluster and an unmodified opinion on the U.S. Department of Agriculture SNAP Cluster.
6. Audit findings required to be reported in accordance with 2 CFR 200.516(a) are included in this schedule.
7. The programs tested as major programs were the U.S. Department of Agriculture Food Distribution Cluster and the U.S. Department of Agriculture SNAP Cluster.
8. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
9. Lutheran Social Services of Nevada does not qualify as a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

2020-001 U.S. Department of Agriculture Food Distribution Cluster, The Emergency Food Assistance Program (TEFAP), CFDA # 10.569, Passed through Three Square

Criteria: In accordance with 2 CFR 200.303, a non-federal entity must maintain an effective system of internal controls over compliance for federal awards that provides reasonable assurance that the non-federal entity is managing the award in compliance with federal statutes, regulations, and the terms and condition of the federal award.

**LUTHERAN SOCIAL SERVICES OF NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT
(CONTINUED)**

2020-001 U.S. Department of Agriculture Food Distribution Cluster, The Emergency Food Assistance Program (TEFAP), CFDA # 10.569, Passed through Three Square (Continued)

Condition: During our audit, we discovered that management had not implemented an effective system of internal controls over compliance related to the federal award. Specifically, food commodities received under the federal award were not warehoused and tracked in accordance with award terms, and management was unable to produce a listing of participants who received distributions of federal food commodities.

Cause: The majority of federal awards received by the Organization are cash reimbursement grants. The food commodities received by the Organization under the federal award program are not usual or routine and, as a result, the internal controls over compliance with federal award programs were not appropriately designed.

Effect: Management was unable to substantiate compliance with warehousing requirements. Further, management was unable to determine whether only eligible individuals/households received federal food commodities as allowable under the federal award.

Perspective Information: The deficiencies noted appear to be indicative of a systemic issue related to the internal controls over compliance related to noncash federal award programs (e.g., food commodities).

Questioned Costs: Unable to be determined.

Repeat Finding: No

Recommendation: We recommend the Organization design and implement an effective system of internal controls over compliance for all federal award programs. This system should include consideration for those noncash federal awards that may need to be considered.

View of Responsible Officials: The Organization will design and implement a system of effective internal controls over compliance that will take into consideration all federal award programs, to include noncash awards.

**LUTHERAN SOCIAL SERVICES OF NEVADA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

PRIOR AUDIT FINDINGS – FINANCIAL STATEMENT AUDIT

2019-001 Schedule of Expenditures of Federal Awards Incomplete

Criteria: In accordance with OMB Uniform Guidance 2 CFR 200.510, the auditee must prepare a schedule of expenditures of federal awards which must include the total federal awards expended.

Condition: During the audit, material adjustments to this schedule needed to be made in order for the schedule to be fairly stated in accordance with generally accepted accounting principles.

Context: The food commodities received were omitted from the schedule. Additionally, there were other grants in which the amounts reported did not agree with the accounting records or the drawdown paperwork.

Effect: These errors in the schedule of expenditures of federal awards resulted in a schedule that was materially misstated.

Cause: Internal controls were not designed and implemented over the preparation of the Schedule of Expenditures of Federal Awards which resulted in required adjustments before the financial statements could be presented in accordance with accounting principles generally accepted in the United States of America.

Repeat Finding: No

Recommendation: We recommend management design and implement a system whereby all Federal award expenditures be properly accumulated into a schedule for reporting in the financial statements at year end in accordance with accounting principles generally accepted in the United States of America prior to those balances being submitted for audit.

Views of Responsible Officials and Planned Corrective Action: Lutheran Social Services of Southern Nevada will implement procedures and controls over the preparation of the Schedule of Expenditure of Federal Awards to ensure this is properly completed in the future.

Current Status: Corrective action plan has been properly implemented.

PRIOR AUDIT FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None